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SUBJECT: AUTO INDUSTRY IN THAILAND CUTS PRODUCTION

REF: A) BANGKOK 3229 B) BANGKOK 3144 C) BANGKOK 2885
D) BANGKOK 3336

1. (SBU) Summary. American automakers in Thailand have reacted to a decline in domestic and regional demand by revising growth forecasts downward and reducing production. Ford has cut back production of cars for the remainder of the year. General Motors has taken more drastic steps, including ceasing production for two months and reducing the salary of 2,000 workers. U.S. auto executives in Thailand feel confident they will weather the storm and resume production next year as usual. (Note: Thailand-based U.S. manufacturers do not export to the U.S.) Japanese automakers have experienced similar difficulties and have also decreased production of automobiles. End Summary.

2. (SBU) Thailand's economy has not escaped the global financial crisis, with the Thai stock exchange being particularly volatile (ref A and C). Thailand's government has adopted various measures to stimulate the economy and promote growth (ref B), including its promotion of a multilateral currency emergency fund (see ref D). As a result of the general economic downturn, Ford Asia-Pacific and Africa (Ford) and General Motors Southeast Asia Operations Limited (GM) are experiencing difficulties similar to other industries in Thailand, including the tourism, retail, and banking sectors.

3. (SBU) GM and Ford together account for less than ten percent of the automarket share in Thailand, according to executives at the companies. Both Ford and GM produce cars in Thailand mainly for export, although none of the cars are intended for the American market. Econoff spoke to Liam Benham, Vice President in the Governmental Affairs Department at Ford, on November 21. Benham explained 80 percent of Ford cars in Thailand are exported to over 120 countries, none in North America. Econoff also spoke with Kanchit Chaisupho, the Director in the ASEAN Public Policy division at GM, on November 21. Chaisupho stated that about 60 percent of GM cars made in Thailand are exported, primarily to the Middle East and neighboring ASEAN countries. The remaining 40 percent is intended for the Thai market. Demand from these markets has decreased by as much as twenty percent according to the executives. GM and Ford have had to respond to decreased demand by taking temporary measures to reduce costs.

4. (SBU) Ford has responded by reducing production of vehicles this month. Benham noted that the company had already met production targets for 2008 and was producing above capacity for much of the year. Ford is not planning to reduce workforce or salaries at this time, but may adjust the workforce by shifting personnel to different departments. Benham emphasized that Ford is committed to Thailand and

pointed out that Ford is proceeding with plans to produce the Ford Fiesta, a so-called B-segment or subcompact car, early next year. Benham admits that Ford's production in Thailand and profits could be down by 10 to 20 percent next year.

¶5. (SBU) General Motors Southeast Asia Operations Limited (GM) will shut down plants for about two months beginning in December 2008 with plans to reopen in February 2009 according to Chaisupho. In addition, about 2,000 workers will receive only 75 percent of their pay during the two month cessation. GM announced that employees could voluntarily retire, but fewer than 200 workers have chosen this option. White collar staff and salespeople will continue working as usual. Contrary to press reports and some statements by union leaders, the executive stated GM has no plans to permanently lay off workers. Chaisupho also stated they are lowering production targets by about 20 percent for 2009 and expect profits to be down by a similar amount.

¶6. (SBU) American auto firms are not the only ones suffering in Thailand. Toyota, Isuzu, and Honda, which together account for over 80 percent of market share in Thailand according to Toyota sales figures, have been affected by the economic crisis in similar proportion to GM and Ford. The Japanese automakers also focus heavily on exports to ASEAN countries and specialize in one-ton pickups. Prominent media reports and public statements by the Federation of Thai Industries indicate that many Japanese car makers have stopped paying overtime, temporarily laid off workers, and reduced auto production.

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